

A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

Commuter Tax\$ave Program

State Employees Enrolled in the State Health Benefits Program

The New Jersey State Employees Commuter Tax Savings Program (Commuter Tax\$ave), a benefit program authorized by Chapter 162, P.L. 2001 and available under Section 132(f) of the federal Internal Revenue Code, allows eligible employees to set aside before-tax dollars to pay for certain mass transit and commuter parking expenses, thereby avoiding federal taxes and saving money. An eligible employee is any employee of the State; a State college or university; the State Library; or the New Jersey Commerce and Economic Growth Commission, Palisades Interstate Park Commission, New Jersey Building Authority, or Waterfront Commission of New York Harbor who is eligible to participate in the State Health Benefits Program, except those part-time employees made eligible under Chapter 172, P.L. 2003. Commuter Tax\$ave consists of two separate component plans, and an eligible employee may elect to participate in any combination — both, one, or neither of the plans.

PROGRAM BENEFITS

The two components of Commuter Tax\$ave are for **mass transit expenses** and **commuter parking expenses**. Eligible employees may execute salary

reduction agreements to have up to:

- \$105 per month (\$1,260 per year) deducted from salary to pay for mass transit commutation costs to and from work (mass transit includes train, bus, ferry, and vanpool expenses); and/or
- \$200 per month (\$2,400 per year) to pay for parking at work or at park and ride sites.

Pre-tax monies deducted from salary are not subject to federal income taxes, Social Security taxes, or Medicare taxes. There is a minimum deduction of \$15 for either mass transit or parking deductions. There are no provisions for higher deductions on an after-tax basis.

Deductions may only be made for use with the employee's personal commuting costs for going to and from work. Deductions may not be made to pay for commuting costs of dependents. In addition, Internal Revenue Service rules require that mass transit benefits be delivered as tickets, payment cards, or vouchers that can only be used to purchase mass transit tickets. Parking benefits can be delivered as a payment card, voucher, or as a reimbursement of expenses.

Below are examples of how Commuter Tax\$ave works for you:

Employee rides mass transit using pre-tax \$105 deduction per month

	Without Pre-tax Commuter Tax\$ave	With Pre-tax Commuter Tax\$ave
Monthly Salary	\$ 4,000	\$ 4,000
Pre-tax Commuter Tax\$ave for Mass Transit	\$ 0	-\$ 105
Salary Subject to Taxes	\$ 4,000	\$ 3,895
Estimated Taxes	-\$ 1,008	-\$ 974
Monthly Mass Transit Expense	-\$ 105	-\$ 0
Take-Home Pay	\$ 2,887	\$ 2,921
		Monthly Savings: \$ 34*
		Annual Savings: \$ 408*

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Employee parks and then rides mass transit using pre-tax \$100 deduction per month for mass transit and pre-tax \$65 deduction for parking

	Without Pre-tax Commuter Tax\$ave	With Pre-tax Commuter Tax\$ave
Monthly Salary	\$ 4,000	\$ 4,000
Pre-tax Commuter Tax\$ave for Mass Transit	\$ 0	-\$ 105
Pre-tax Commuter Tax\$ave for Parking	\$ 0	-\$ 65
Salary Subject to Taxes	\$ 4,000	\$ 3,830
Estimated Taxes	-\$ 1,008	-\$ 953
Monthly Mass Transit Expense	-\$ 105	-\$ 0
Monthly Parking Expense	-\$ 65	-\$ 0
Take-Home Pay	\$ 2,822	\$ 2,877
		Monthly Savings: \$ 55*
		Annual Savings: \$ 660*

Employee uses pre-tax \$125 deduction per month for parking

	Without Pre-tax Commuter Tax\$ave	With Pre-tax Commuter Tax\$ave
Monthly Salary	\$ 4,000	\$ 4,000
Pre-tax Commuter Tax\$ave for Parking	\$ 0	-\$ 125
Salary Subject to Taxes	\$ 4,000	\$ 3,875
Estimated Taxes	-\$ 1,008	-\$ 967
Monthly Parking Expense	-\$ 125	-\$ 0
Take-Home Pay	\$ 2,867	\$ 2,908
		Monthly Savings: \$ 41*
		Annual Savings: \$ 492*

**Examples are based on an annual salary of \$48,000. Estimated Federal Taxes: 25%. Taxes exempted include: Federal Income, Social Security, and Medicare. Greater savings may result if your commuting costs are higher and/or you are in a higher federal income tax bracket. Lower deductibles may result in smaller savings and individual savings may vary. Consult your tax advisor.*

ENROLLMENT

Unlike the Section 125 portion of the State's Tax\$ave Program (Medical and/or Dependent Care Spending Accounts) that requires one annual election, the Commuter Tax\$ave Program allows an employee to opt in and out or change amounts on a monthly basis. Eligible employees may enroll in the program or end participation at any time during the year and may change deductions as often as they like during the year. Once an employee has

enrolled, the employee remains enrolled for all subsequent months at the same level of participation until the employee makes a change to the deduction amounts or elects to end participation.

Commuter Tax\$ave benefits are provided by TransitCenter, Inc., a public nonprofit corporation that administers the program under a contract with the State of New Jersey. An eligible employee enrolls by contacting TransitCenter directly. Enrollment can be done through an Integrated

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Voice Response Unit by calling 1-866-823-3248, or over the Internet at: www.mycommutertaxsave.com

Upon enrollment, an employee's eligibility is confirmed with the employer who will arrange for payroll deductions to begin. Deductions for the benefit are taken from the first payroll check in the month. TransitCenter will then process tickets, payment cards, or vouchers and mail them directly to the employee.

The total time required for processing before the benefit begins is approximately 45 days. The schedule for enrollments/changes during a typical year is shown in the following chart:

ENROLLMENT PERIOD	BENEFIT PERIOD
January 16 - February 15	April
February 16 - March 15	May
March 16 - April 15	June
April 16 - May 15	July
May 16 - June 15	August
June 16 - July 15	September
July 16 - August 15	October
August 16 - September 15	November
September 16 - October 15	December
October 16 - November 15	January
November 16 - December 15	February
December 16 - January 15	March

Note that the monthly deduction for the Commuter Tax\$ave Program will be taken from only the first paycheck each month.

“USE IT OR LOOSE IT” PROVISION

Employee elections are irrevocable and, to avoid forfeiting benefit dollars, employees should carefully consider how much they want to set aside to cover their commuting expenses. The State is prohibited under federal tax regulations from process-

ing refunds to employees who fail to fully utilize the benefit in a timely manner.

For employees who elect to receive the QuickPay Card, it is important to realize that the stored value on the card is available for only as long as the employee remains an active participant of the program. If an employee cancels his or her participation in the program, any remaining balance on the card when the cancellation becomes effective is forfeited.

ADDITIONAL INFORMATION

Additional information about the Commuter Tax\$ave Program is available from TransitCenter, Inc. by calling 1-877-440-4407 or over the Internet at: www.mycommutertaxsave.com

SOCIAL SECURITY IMPLICATIONS

Since payments to the Commuter Tax\$ave Program lower annual earnings against which Social Security deductions are made, there is a concern that participation in these plans would result in reduced Social Security benefits at retirement.

If you were born after 1928, your Social Security benefits are calculated using a 35-year average of your earnings. A reduction of up to \$3,660 a year (the program's maximum) over some portion of this 35-year span would have little effect on your average salary and, therefore, minimal impact on your Social Security benefits. The Social Security Administration has provided us with an example of an employee who retired in 1998 at age 65 whose wages had been at the maximum wages subject to Social Security deductions. Upon retirement, this individual's monthly Social Security allowance was \$1,343. If that same person had been contributing \$2,000 a year for the last 10 years to Commuter Tax\$ave, the subsequent reduction in Social Security wages would have produced a monthly Social Security allowance of \$1,335, a difference of only \$8 per month.

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